

Taylor, Morell & Gitomer

3-110A002

April 20, 1993

Suite 210
919 18th St., N.W.
Washington, DC 20006
(202) 466-6530/FAX (202) 466-6528

Suite 230
310 Golden Shore
Long Beach, CA 90802
(310) 436-2519/FAX (310) 436-5393

Direct Dial: (202) 466-6532

RECORDATION NO. 17977-B
FILED 1425

APR 20 1993 12:40 PM

INTERSTATE COMMERCE COMMISSION

Honorable Sidney L. Strickland
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Secretary Strickland:

I have enclosed seven originals of a document described below, to be recorded pursuant to 49 U.S.C. § 11303.

The document is an Equipment Lease, a secondary document, dated as of March 31, 1993. The primary document to which this is connected is recorded under Recordation No. 17977. We request that this document be recorded under Recordation No. 17977-B.

The names and addresses of the parties to the Equipment Lease are as follows:

Lessor:

U.S. Trust Company of California, N.A., as Owner Trustee
555 Flower Street
Los Angeles, CA 90071

Lessee:

Southern Pacific Transportation Company
One Market Plaza
San Francisco, CA 94105

A description of the equipment covered by the document consists of 20 SD45-2 diesel electric locomotives numbered SP 7400, 9194, 9245, 9254, 9294, 9273, 9300, 9308, 9328, 9337, 9345, 9359, 9362, 9373, 9385, 9392, 9395, 9400, and 9401.

A fee of \$16.00 is enclosed. Please return the six originals to:

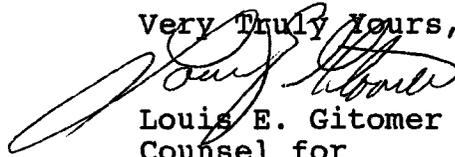
Louis E. Gitomer
Taylor, Morell & Gitomer
Suite 210
919 18th Street, N.W.
Washington, DC 20006

C. [Signature]

APR 20 1993 12:40 PM

A short summary of the document to appear in the index follows: an Equipment Lease between U.S. Trust Company of California, N.A., as Owner Trustee, 555 Flower Street, Los Angeles, CA 90071, and Southern Pacific Transportation Company, One Market Plaza, San Francisco, CA 94105, covering 20 SD45-2 diesel electric locomotives numbered SP 7400, 9194, 9245, 9254, 9294, 9273, 9300, 9308, 9328, 9337, 9345, 9359, 9362, 9373, 9385, 9392, 9395, 9400, and 9401.

Very Truly Yours,



Louis E. Gitomer
Counsel for
Southern Pacific
Transportation Company

Filed and Recorded with the
Interstate Commerce Commission
on _____, 1993
at _____ M and given
Recordation Number _____

RECORDATION NO. 17972B FILED 1425

APR 30 1993 12-40 PM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 7178-002]

EQUIPMENT LEASE

Dated as of March 31, 1993

Between

U.S. TRUST COMPANY OF CALIFORNIA, N.A.,
as Owner Trustee

LESSOR

And

SOUTHERN PACIFIC TRANSPORTATION COMPANY

LESSEE

28 Rebuilt Diesel Electric Locomotives

[SPTC Trust 93-1]

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EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of March 31, 1993, is between U.S. TRUST COMPANY OF CALIFORNIA, N.A., a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement (the "Lessor"), and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee").

RECITALS

A. Concurrently with the execution of this Equipment Lease, AMERICAN FINANCE GROUP, a Massachusetts general partnership ("AFG"), AFG INVESTMENT TRUST C, a Delaware business trust ("AFGITC") (AFG and AFGITC collectively, "Owner Participants"), and the Lessor are entering into the Trust Agreement creating a trust and authorizing the Lessor to act for the Owner Participants in connection with the transactions contemplated hereby and thereby;

B. The Lessor contemplates purchasing certain items of rail equipment described in Schedule 1 (the "Equipment");

C. Upon purchase of the Equipment by the Lessor, the Lessee shall lease and let and the Lessor shall hire to the Lessee the Equipment for the rental and on and subject to the terms and conditions set forth herein and in the Lease Supplements to be then executed and delivered by the Lessor and the Lessee with respect to each Item of Equipment;

D. The capitalized terms used in this Lease shall have the respective meanings indicated in Appendix A hereto unless elsewhere defined herein. Where any provision in this Lease refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Lessor and the Lessee agree as follows:

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

SECTION 1.1. Intent to Lease and Hire. Upon purchase of the Equipment by the Lessor, the Lessee shall lease and let and the Lessor shall hire to the Lessee each Item of Equipment for the rental set forth in Schedule 2 and the applicable Lease Supplement and on and subject to the terms and conditions set forth herein.

SECTION 1.2. Lease Supplements. The Lessee's execution and delivery of a Lease Supplement, substantially in the form of Exhibit A, with respect to an Item of Equipment shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against any manufacturer of such Item of Equipment, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of such Item of Equipment as of the date of this Lease. By execution and delivery of such Lease Supplement, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

SECTION 2.1. Interim Rent. The Lessee hereby agrees to pay the Lessor Interim Rent for each Item of Equipment during the Interim Term in arrears payable as set forth in Schedule 2 and the applicable Lease Supplement.

SECTION 2.2. Basic Rent. The Lessee hereby agrees to pay the Lessor Basic Rent for each Item of Equipment for the Basic Term applicable thereto quarterly in arrears as set forth in Schedule 2 and the applicable Lease Supplement.

SECTION 2.3. Supplemental Rent. The Lessee also agrees to pay to the Lessor, or to whosoever shall be entitled thereto, any and all Supplemental Rent, promptly as

the same shall become due and owing, or where no due date is specified, promptly after demand by the Person entitled thereto, and in the event of any failure on the part of the Lessee to pay any Supplemental Rent, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise as in the case of nonpayment of Basic Rent. The Lessee will also pay, as Supplemental Rent, on demand, to the extent permitted by applicable law, an amount equal to interest at the Late Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or demanded, as the case may be, for the period from such due date or demand until the same shall be paid. All Supplemental Rent to be paid pursuant to this Section 2.3 shall be payable in the type of funds and in the manner set forth in Section 2.4.

SECTION 2.4. Manner of Payments. All Rent (other than Supplemental Rent payable to Persons other than the Lessor, which shall be payable to such other Persons in accordance with written instructions furnished to the Lessee by such Persons, as otherwise provided in any of the Operative Agreements or as required by law) shall be paid by the Lessee to the Lessor at its office at 555 South Flower Street, Los Angeles, California 90071. All Rent shall be paid by the Lessee in funds consisting of lawful currency of the United States of America, which shall be immediately available to the recipient not later than 12:00 noon (Eastern time) on the date of such payment. If a Rent Payment Date is not a Business Day, the payment otherwise due on such Rent Payment Date shall be payable on the next succeeding Business Day and (provided such payment is made on such succeeding Business Day) no interest shall accrue on the amount of such payment from and after such Rent Payment Date to the time of such payment on such next succeeding Business Day.

SECTION 3. TERM OF THE LEASE.

The interim term for the Items of Equipment delivered on a particular Closing Date shall commence on such Closing Date specified in the applicable Lease Supplement and continue through and including the day immediately preceding the Basic Term Commencement Date (the "Interim Term"). The basic term of this Lease for each Item of Equipment (the

"Basic Term") shall commence on the date specified in the applicable Lease Supplement (the "Basic Term Commencement Date") and shall terminate five years thereafter, subject to earlier termination pursuant to Sections 11 and 14. Subject and pursuant to the terms of Section 18 hereof, the Lessee may elect one Renewal Term at the end of the Basic Term with respect to all Items of Equipment.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

SECTION 4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to and beneficial ownership of the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee hereunder or any sublessee under any sublease permitted hereby.

SECTION 4.2. Duty to Number and Mark Equipment. The Lessee will (a) cause each Item to be kept numbered with one of its unit numbers as set forth in Schedule 1 to the Lease Supplement executed and delivered on the relevant Closing Date, and (b) keep and maintain, as soon as practicable after such Item becomes subject to the terms of this Lease, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting colors upon both sides of each Item in letters not less than one inch in height a legend substantially as follows:

"Subject to a Lease Filed With
the Interstate Commerce Commission"

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the right, title and interest of the Lessor to such Item and its rights under this Lease. The Lessee will replace promptly any such names and word or words which may be removed, defaced, obliterated or destroyed. The Lessee will not change the unit number of any Item except in accordance with a statement of new unit numbers to be substituted therefor, which statement previously shall have been delivered to the Lessor by the Lessee prior to or contemporaneously with such change and a supplement to this Lease with respect to such new unit numbers shall be filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited and in such

other places, if any, where the Lessor may reasonably request in order to protect, preserve and maintain its right, title and interest in the Items. The costs and expenses of all such supplements, filings, recording and deposits shall be borne by the Lessee.

SECTION 4.3. Prohibition against Certain Designations. Except as above provided, the Lessee will not allow the name of any Person to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its Affiliates on railroad equipment used by it or its Affiliates of the same or a similar type for convenience of identification of the right of the Lessee or its Affiliates to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES; WARRANTY ASSIGNMENTS; QUIET ENJOYMENT.

(a) WITHOUT WAIVING ANY CLAIM THE LESSEE MAY HAVE AGAINST ANY SELLER, SUPPLIER OR MANUFACTURER THE LESSEE ACKNOWLEDGES AND AGREES THAT (i) THE EQUIPMENT AND EACH ITEM THEREOF IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO THE LESSEE, (ii) THE LESSEE IS SATISFIED THAT THE EQUIPMENT AND EACH ITEM THEREOF IS SUITABLE FOR ITS PURPOSES, (iii) NEITHER THE LESSOR NOR ANY OWNER PARTICIPANT IS A MANUFACTURER OR A DEALER IN PROPERTY OF SUCH KIND, (iv) THE EQUIPMENT AND EACH ITEM THEREOF IS LEASED HEREUNDER SUBJECT TO ALL APPLICABLE LAWS AND GOVERNMENTAL REGULATIONS NOW IN EFFECT OR HEREAFTER ADOPTED AND IN THE STATE AND CONDITION OF EVERY PART THEREOF WHEN THE SAME FIRST BECAME SUBJECT TO THIS LEASE, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND BY THE LESSOR, AND (v) THE LESSOR LEASES AND THE LESSEE TAKES EACH ITEM "AS-IS", "WHERE-IS" AND "WITH ALL FAULTS", IN WHATEVER CONDITION IT MAY BE, AND THE LESSEE ACKNOWLEDGES THAT NEITHER THE LESSOR, AS LESSOR OR IN ITS INDIVIDUAL CAPACITY, NOR ANY OWNER PARTICIPANT MAKES NOR SHALL BE DEEMED TO HAVE MADE, AND EACH EXPRESSLY DISCLAIMS, ANY AND ALL RIGHTS, CLAIMS, WARRANTIES OR REPRESENTATIONS EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN, OPERATION, MERCHANTABILITY THEREOF OR AS TO THE TITLE OF THE EQUIPMENT, THE QUALITY OF THE MATERIAL OR

WORKMANSHIP THEREOF OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT, COPYRIGHT OR TRADEMARK INFRINGEMENT, THE ABSENCE OF ANY LATENT OR OTHER DEFECT, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT OR ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT THERETO, except that the Lessor, in its individual capacity, represents and warrants that on each Closing Date, the Lessor shall have received whatever title to the Equipment settled for on such Closing Date as was conveyed to the Lessor by the Seller thereof and each Item will be free of Lessor's Liens attributable to the Lessor in its individual capacity.

(b) Subject to the next following sentence, the Lessee hereby assigns to the Lessor all rights, if any, with respect to the Equipment against the manufacturers of the Equipment, including, without limitation, all claims under any indemnities or warranties, whether for condition of goods, patent or otherwise, and any other rights arising under any purchase orders or agreements pertaining to the Equipment. The Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease prior to any Default or Event of Default to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the manufacturers or any prior owner thereof; provided, however, that if at any time a Default or Event of Default shall have occurred and be continuing, at the Lessor's option, such power of attorney shall terminate, and the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall, at the Lessee's request and at the Lessee's expense, cooperate in the enforcement of any indemnities or warranties or the prosecution of any claims by the Lessee against such manufacturers or prior owners under this paragraph (b).

(c) The Lessor shall have no responsibility or liability to the Lessee or any other Person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment, or by any of the commodities, items or materials from time to time contained therein, whether or

not permitted by the terms hereof, or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; provided that in the event the Lessor shall be a shipper of any such commodities, items or materials, this clause (i) shall not relieve the Lessor from any responsibilities or obligations which it would otherwise have as shipper thereof; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, use, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. The Lessee's delivery of a Lease Supplement shall be conclusive evidence as between the Lessee and the Lessor that all Items of Equipment described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

(d) So long as no Event of Default shall have occurred and be continuing, the Lessor agrees that the Lessee shall be entitled to quiet use and enjoyment of the Equipment in accordance with this Lease.

SECTION 6. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation (including the rules and regulations of the Federal Railroad Administration), the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time (the "Interchange Rules")) with respect to the use and maintenance of each Item of Equipment subject to this Lease. Subject to the provisions of Sections 7(b) and (c) below, in case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and or modifications at its own expense and title thereto shall be immediately vested in the Lessor; provided, however, that Lessee may, in good faith

and by appropriate legal proceedings, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not adversely affect the property rights or interests of the Lessor in the Equipment or under any Operative Agreement.

SECTION 7. USE AND MAINTENANCE OF EQUIPMENT.

(a) The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee agrees that it will not discriminate against any Item of Equipment (as compared to other similar equipment owned or leased by Lessee) with respect to its use, operation or maintenance in contemplation of the expiration or termination of this Lease. The Equipment shall not be used in any manner which is in violation of the insurance maintained under Section 10.

(b) The Lessee shall, at its own cost and expense, maintain and service the Equipment, each Item thereof, and the component parts thereof and comply with a preventive maintenance schedule consistent with industry standards which shall include testing, repair and overhaul of each Item of Equipment so that each Item of Equipment will remain (a) in as good condition as when received by the Lessee from the Lessor (ordinary wear and tear excepted) and suitable for the commercial use as originally designed and intended, (b) in compliance with any and all applicable laws and regulations and (c) suitable in all respects for immediate purchase or lease and use by a Class I Railroad in the manner such Equipment was originally designed and intended. In no event shall any Item of Equipment be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as the date hereof by the Lessee for similar equipment.

(c) Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 6 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 7 shall in either case be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or

improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment the Lessee may, or at the request of the Lessor, the Lessee shall, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment; provided that the Lessor may, by delivery of written notice to the Lessee prior to any such removal, elect to purchase any such readily removable additions for a price equal to the Fair Market Value thereof determined in the manner provided in Section 18.1. Title to any readily removable addition or improvement which has not been so removed by the Lessee from an Item of Equipment when such Item is returned to the Lessor pursuant to this Lease shall thereupon be vested in the Lessor.

SECTION 8. LIENS ON THE EQUIPMENT.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to any Item of the Equipment, title thereto or any interest therein except Lessor's Liens and Permitted Liens. The Lessee shall promptly, at its own expense, take such action as may be necessary to duly and expeditiously discharge any such Lien (and any claim which if unpaid might constitute or become such a Lien) not excepted above if the same shall arise at any time with respect to any Item of the Equipment; provided that, so long as no Event of Default shall have occurred and be continuing, the Lessee shall not be required to pay or discharge any such Lien so long as it shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which does not adversely affect the property rights or interests of the Lessor in and to the Equipment or under any Operative Agreement.

SECTION 9. FILINGS; FURTHER ASSURANCES.

SECTION 9.1. Filings. On or prior to each Closing Date, the Lessee will cause this Lease and each Lease

Supplement dated such Closing Date to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303, and promptly following each Closing Date, will cause this Lease and each Lease Supplement dated such Closing Date to be deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 90 of the Railway Act of Canada.

SECTION 9.2. Further Assurances. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of establishing and protecting the rights and remedies created in favor of the Lessor hereunder or for the purpose of carrying out the intention of this Lease, including, without limitation, any such filings and recordings as shall be necessary to evidence any change in name of the Lessee or any merger or consolidation thereof.

SECTION 9.3. Expenses. The Lessee will pay all costs, charges and expenses (including reasonable attorneys' fees) incident to any such filing, refile, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

SECTION 10. INSURANCE.

(a) Lessee will at all times after delivery and acceptance of the Equipment, at its own expense, carry and maintain or cause to be carried and maintained (i) all-risk property insurance with respect to each Item of Equipment and (ii) public liability insurance, including but not limited to sudden and accidental pollution and evacuation expense to the extent available on the same terms as to other Class I railroads and including Federal Employer Liability Act coverage, with respect to the Equipment, in each case in amounts (but in no event less than \$25 million of public liability insurance), with deductibles and against risks customary for insurance obtained by Class I railroads on similar equipment, and in any event in amounts, with deductibles and against risks comparable to those provided

for in insurance maintained by the Lessee on similar equipment owned or leased by it.

(b) Such insurance policies shall (i) name and insure the Lessor and the Owner Participants as additional insureds under the comprehensive public liability insurance and name the Lessor as sole loss payee under a standard mortgage loss payable endorsement under the property insurance, (ii) provide insurer's waiver of its right of subrogation, set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability against the Lessor and the Owner Participants, (iii) provide that all such insurance is primary without right of contribution from any other insurance which might otherwise be maintained by the Lessor or the Owner Participants, (iv) provide therein or by endorsement that thirty (30) days' prior written notice of expiration, cancellation or modification in a manner materially adverse to the Lessor or the Owner Participants shall be given to the Lessor or the Owner Participants, as the case may be, and ten (10) days' prior written notice of cancellation for nonpayment, (v) provide that there is no recourse against the Lessor or the Owner Participants for payment of premium, commissions, direct calls, assessments or advances, and (vi) provide that the interests of the Lessor and the Owner Participants shall not be invalidated by any action or inaction of the Lessee or any other Person. On each Closing Date, the Lessee shall furnish the Lessor with certificates or other satisfactory evidence of maintenance of the insurance with respect to the Items delivered on such Closing Date so required and shall furnish binders or other formal confirmation reasonably acceptable to the Lessor evidencing renewals thereof as soon as practicable but in no event later than five (5) Business Days prior to such renewal and certificates of insurance within thirty (30) days after such renewal is effected or the expiration date of the original policy or policies, as the case may be. The Lessee's insurance broker will deliver to the Lessee, with a copy to the Lessor, concurrently with the certificates referenced above, a letter in the form attached hereto as Exhibit B.

(c) The proceeds of any property insurance required to be carried by the Lessee with respect to any Item received by the Lessor will be paid to the Lessee either (i) if such Item shall have suffered an Event of Loss, upon satisfactory evidence of the compliance by the Lessee with its

obligations under Section 11.2(i) or 11.2(ii), as the case may be; or (ii) if such Item shall have suffered damage not constituting an Event of Loss, upon a written application signed by the Lessee to reimburse the Lessee for payment of the costs of repairing such Item (which application shall be accompanied by satisfactory evidence of such cost and the completion of such repair, restoration or replacement); provided that, if a Default or Event of Default shall have occurred and be continuing, such proceeds shall be held by the Lessor as security for the Lessee's obligations under this Lease, and at such time as there shall not be continuing any such Default or Event of Default, such proceeds shall be paid to the Lessee.

(d) On the Lessee's request, provided no Default or Event of Default shall have occurred and be continuing, the Lessor shall assign in mutually satisfactory form and substance to the Lessee the right to recover property insurance proceeds directly from the Lessee's insurers, in lieu of the Lessor if the Lessee (i) shall have complied with its obligations under Section 11.2 (in the case of an Event of Loss) or (ii) shall have evidenced repair of an Item (and full payment therefor) to the Lessor's satisfaction (in the case of damage to any Item not constituting an Event of Loss).

SECTION 11. LOSS, DESTRUCTION, REQUISITION, ETC.

SECTION 11.1. Event of Loss. In the event that during the Term of this Lease, or thereafter while any Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 14 hereof (i) any Item of Equipment shall be or become lost or stolen for more than thirty (30) days, (ii) any Item of Equipment shall be or become destroyed, (iii) any Item of Equipment shall be or become, in the reasonable opinion of the Lessee and, during the last 18 months of the Basic Term, the Owner Participants, beyond economic repair, (iv) title to any Item of Equipment shall be requisitioned or taken by any governmental authority under the power of eminent domain or otherwise, or (v) the use of any Item of Equipment shall be requisitioned or taken for a period in excess of the remaining Basic Term or any Renewal Term then in effect (any such occurrence being hereinafter called an "Event of Loss"), the Lessee, in

accordance with the terms of Section 11.2, shall promptly and fully notify the Lessor of such Event of Loss.

SECTION 11.2. Replacement or Payment upon Event of Loss. Upon the occurrence of an Event of Loss with respect to any Item of Equipment, the Lessee shall as soon as reasonably practical and in any event within 30 days after a Responsible Officer of the Lessee shall have actual knowledge of such occurrence give the Lessor notice of such occurrence of such Event of Loss (which notice shall identify the Item involved) and such notice shall designate which one of the following options the Lessee shall elect to perform:

(i) upon the Lessee's election to perform under this clause (i), as promptly as practicable following such election, and in any event on or before the next Rent Payment Date occurring not less than 90 days after the date of notice of such Event of Loss, the Lessee shall comply with Section 11.4(b) and shall convey or cause to be conveyed to the Lessor a Replacement Item to be leased to the Lessee hereunder, such Replacement Item to be of the same manufacturer and model (or otherwise approved by the Lessor, which approval shall not be unreasonably withheld) as the Item replaced and free and clear of all Liens (other than Permitted Liens) and to have a Fair Market Value, utility, remaining economic useful life, residual value and condition at least equal to the Item so replaced (assuming such Item was in the condition required to be maintained by the terms of this Lease); or

(ii) on the Rent Payment Date which is not less than 90 days following the date of notice of such Event of Loss, the Lessee shall pay or cause to be paid to the Lessor (or in the case of Supplemental Rent, to the Persons entitled thereto) in funds of the type specified in Section 2.4, (a) an amount equal to the Stipulated Loss Value of each such Item suffering an Event of Loss determined as of such Rent Payment Date, (b) all Basic Rent payable on such date in respect of such Item, and (c) all other Rent then due and payable hereunder, it being understood that until such Stipulated Loss Value and other sums are paid, there shall be no abatement or reduction of Basic Rent.

SECTION 11.3. Rent Termination. Upon the replacement of any Item or Items in compliance with Section 11.2(i) (but only as to replaced Items and not any Replacement Item) or upon the payment of all sums required to be paid pursuant to Section 11.2 in respect of any Item or Items, the Lease Term with respect to such Item or Items and the obligation to pay Rent for such Item or Items accruing subsequent to the date of payment of Stipulated Loss Value or date of conveyance of such Replacement Item or Items pursuant to Section 11.2 shall terminate; provided that Lessee shall be obligated to pay all Rent in respect of such Item or Items which is payable under Section 11.2 with respect to such payment of Stipulated Loss Value or such replacement of such Item or Items and in respect of all other Items then continuing to remain subject to this Lease; provided further that it is understood and agreed that, in the event of a replacement in compliance with Section 11.2(i), the Rent paid with respect thereto on the Rent Payment Date next following the conveyance of the Replacement Item or Items shall be deemed paid in respect of, and allocated between, both the Replacement Item or Items and the original Item or Items it or they replaced.

SECTION 11.4. Disposition of Equipment; Replacement of Item. (a) Upon the payment of all sums required to be paid pursuant to Section 11.2(ii) in respect of any Item or Items, the Lessor will convey to the Lessee or its designee all right, title and interest of the Lessor in and to such Item or Items, "as is", "where is", without recourse or warranty, except for a warranty against Lessor's Liens, and shall execute and deliver to the Lessee or its designee such bills of sale and other documents and instruments as the Lessee or its designee may reasonably request to evidence such conveyance. As to each separate Item so disposed of, so long as no Default or Event of Default shall have occurred and be continuing, any proceeds received by the Owner Participants, the Lessor or the Lessee from another person as a result of an Event of Loss up to the Stipulated Loss Value payable in respect of an Event of Loss shall be applied to the Lessee's obligation to pay such Stipulated Loss Value or, if the Lessee has previously paid such Stipulated Loss Value, to reimburse the Lessee for such payment. Any such proceeds in excess of the Stipulated Loss Value payable in respect of an Event of Loss shall be allocated between the Lessee and the Lessor as follows:

- (1) if such excess results from insurance paid for by the

Lessee, such excess shall belong to the Lessee, (2) if such excess results from compensation paid through the interchange system, such excess shall belong to the Lessor, (3) if such excess results from a condemnation or requisition award or any other cause, such excess shall be allocated to the Lessee and the Lessor as their interests may appear.

(b) At the time of or prior to any replacement of any Item, the Lessee, at its own expense, will (A) furnish the Lessor with a warranty bill of sale with respect to the Replacement Item in form and substance satisfactory to the Lessor, (B) cause a Lease Supplement substantially in the form of Exhibit A hereto (or an amendment to the existing Lease Supplement), subjecting such Replacement Item to this Lease, and duly executed by the Lessee, to be delivered to the Lessor for execution and, upon such execution, to be filed for recordation in the same manner as provided for the original Lease Supplement in Section 9.1, (C) furnish the Lessor with an opinion of Lessee's counsel (which may be Lessee's in-house counsel), to the effect that (x) the bill of sale referred to in clause (A) above constitutes an effective instrument for the conveyance of title to the Replacement Item to the Lessor, (y) legal and beneficial title to the Replacement Item has been delivered to the Lessor, free and clear of all Liens (other than Permitted Liens), and (z) all filings and recordings required pursuant to the terms of (B) and (C) above have been accomplished, (D) furnish to the Owner Participants an agreement by the Lessee, in form and substance reasonably satisfactory to the Owner Participants, that the Lessee will indemnify the Owner Participants for any adverse tax consequences resulting from such replacement; provided, however, that if in the Owner Participants' sole judgment it is not proper to take a favorable position on its tax returns with respect to any matter relating to such replacement, indemnification satisfactory to the Owner Participants with respect to such matter will be paid prior to the making of the replacement, and (E) furnish such other documents and evidence as the Owner Participants or the Lessor, or their respective counsel, may reasonably request in order to establish the consummation of the transactions contemplated by this Section 11.4, and the Owner Participants shall have received an appraisal (prepared at the expense of the Lessee) reasonably satisfactory to them with respect to the Replacement Item, which appraisal shall confirm that the

value, utility and useful life of the Replacement Item is at least equal to that of the Item so replaced, assuming such item was in the condition and repair required to be maintained by the terms of this Lease. For all purposes hereof, upon passage of title thereto to the Lessor the Replacement Item shall be deemed part of the property leased hereunder and the Replacement Item shall be deemed an "Item" of Equipment as defined herein. Upon such passage of title, the Lessor will transfer to the Lessee, without recourse or warranty (except as to Lessor's Liens), all of the Lessor's right, title and interest in and to the replaced Item.

SECTION 11.5. Eminent Domain. In the event that during the Lease Term the use of any Item is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which does not constitute an Event of Loss, the Lessee's obligation to pay all installments of Basic Rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

SECTION 11.6. Application of Payments During Existence of Event of Default. Any amount referred to in Section 11.5 or in Section 11.4(a) which is payable to the Lessee shall not be paid to the Lessee, or if it has been previously paid directly to Lessee, shall not be retained by the Lessee, if at the time of such payment a Default or Event of Default shall have occurred and be continuing, but shall be paid to and held by the Lessor as security for the obligations of the Lessee under this Lease, and at such time as there shall not be continuing any such Default or Event of Default, such amount shall be paid to the Lessee.

SECTION 12. EQUIPMENT REPORTS.

SECTION 12.1. Duty of Lessee To Furnish. On or before May 1, 1994, and on each May 1 thereafter, the Lessee will furnish to the Lessor an accurate statement, as of the preceding December 31 (a) showing the amount, description and unit numbers of the Items of Equipment then leased hereunder, the amount, description and unit numbers of all Items of Equipment that may have suffered an Event of Loss

during the twelve (12) months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), describing the insurance which is in force with respect to the Equipment and such other information regarding the condition or repair of the Equipment as the Lessor or the Owner Participants may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

SECTION 12.2. Lessor's Inspection Rights. The Lessor and the Owner Participants each shall have the right, but not the obligation, on reasonable prior notice to the Lessee, and during normal business hours, at their respective sole cost, expense and risk except as provided below, by their respective authorized representatives, accompanied by an employee of the Lessee, to inspect the Equipment and the Lessee's records with respect thereto, with such frequency as shall be reasonably necessary to confirm the existence and proper maintenance of the Equipment during the continuance of this lease; provided, however, that the Lessee shall not be liable, except in the case of gross negligence or wilful misconduct of the Lessee or of its employees or agents, for any injury to, or the death of, any Person exercising, either on behalf of an Owner Participant, the Lessor, or any prospective purchaser or lessee therefrom, the rights of inspection granted under this Section 12.2 and provided further that during the continuance of an Event of Default, any such inspection shall be at the Lessee's cost and expense.

SECTION 13. RETURN OF THE EQUIPMENT UPON EXPIRATION OF TERM.

(a) Upon the expiration of the Term of this Lease with respect to any Items of Equipment, the Lessee will, at its own risk and expense; marshall and deliver possession of such Items of Equipment to the Lessor at such place of interchange on the Lessee's lines as the Lessor may reasonably designate. All movement of each such Item is to be at the risk and expense of the Lessee. The Lessee shall provide 90 days storage of such Items of Equipment at the Lessee's expense including insurance and, at the Lessor's request, will provide an additional 30 days of storage of

such Items at the Lessor's expense. During any such storage period, the Lessee will permit the Lessor or any Person designated by it, authorized by it, including the authorized representatives of any prospective purchaser, lessee or user of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except to the extent of any negligence or strict liability of the Lessee or its employees or agents, for any injury to, or the death of, any person exercising, on behalf of the Lessor or any prospective purchaser or user, such rights of inspection. During any such storage period, the Lessee will at its own expense, maintain and keep the Items of Equipment in the condition required by Section 7. In the event that any Item of Equipment shall suffer an Event of Loss during such storage period, the Lessee shall pay the Lessor the Stipulated Loss Value thereof.

(b) Upon the return of such Equipment, Lessee shall at its own cost and expense have taken all necessary action to assure that each Item of Equipment shall be in the condition required by Sections 6 and 7 hereof. The Lessor and the Lessee each agree, if requested by the other, that a representative thereof will perform jointly with the other an inspection of the Equipment, or an appropriate representative sampling thereof, to insure compliance with the provisions of this Section 13 at such time and location and following such inspection standards as shall be mutually agreeable to the Lessor and the Lessee. Upon such redelivery of an Item of Equipment, the Lessee agrees to provide to the Lessor originals or legible facsimile copies of all manuals, drawings, diagrams, records, logs and other materials and inspection, modification, overhaul and maintenance records applicable thereto; provided that the Lessee agrees to maintain all such materials in the same manner as it maintains the same for similar owned equipment.

(c) The assembling, delivery in the required condition, storage, insurance and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver in the required condition, store, insure and transport the Equipment. All amounts in respect of the Equipment earned prior to, but not paid to the Lessee by,

the date of expiration of this Lease shall belong to the Lessee so long as the Lessee shall have returned the Equipment as required hereby.

SECTION 14. DEFAULT.

SECTION 14.1. Events of Default. Any of the following events shall constitute Events of Default hereunder:

(a) Default shall be made in the payment of any part of the Interim Rent, Basic Rent or Stipulated Loss Value and such default shall continue for five (5) Business Days;

(b) Default shall be made in the payment of Supplemental Rent and such default shall continue for ten (10) Business Days after notice thereof to the Lessee;

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any Operative Agreement (other than the Tax Indemnity Agreement), and such default shall continue for thirty (30) days after written notice to the Lessee, specifying the default and demanding the same to be remedied; provided that if such default is curable but is not capable of cure within such 30-day period, no such default shall constitute an Event of Default hereunder for a period of 90 days after receipt of such notice so long as the Lessee is diligently proceeding to cure such default and so long as such failure to cure such default will not result in the sale, forfeiture or loss of any Item of Equipment;

(d) any representation or warranty made by the Lessee herein or in any Operative Agreement (other than the Tax Indemnity Agreement) shall be untrue or incorrect in any material respect as of the date of issuance or making thereof and shall remain material for 30 days after written notice thereof to the Lessee; provided that if such misrepresentation is curable but is not capable of cure within such 30-day period, no such misrepresentation shall constitute an Event of Default for a period of 90 days after receipt of such

notice so long as the Lessee is diligently proceeding to cure such misrepresentation and so long as failure to cure such misrepresentation will not result in the sale, forfeiture or loss of any Item of Equipment;

(e) the Lessee (i) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or (ii) shall consent to any such relief or to the appointment of or taking possession by any such official in any voluntary case or other proceeding commenced against it, or (iii) shall make a general assignment for the benefit of creditors, or (iv) shall fail generally to pay its debts as they become due, or (v) shall take any corporate action to authorize any of the foregoing;

(f) an involuntary case or other proceeding shall be commenced against the Lessee seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days;

(g) the Lessee shall default in the maintenance of the insurance coverage required by Section 10.1(a) hereof; or

(h) the Lessee shall make or permit any sublease, assignment or transfer of this Lease, or of possession of any Item of the Equipment, not permitted by this Lease.

SECTION 14.2. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default, and at any time thereafter, so long as the Lessee shall not have remedied

all outstanding Events of Default, the Lessor may do one or more of the following as the Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(b) by notice in writing to the Lessee, the Lessor may demand that the Lessee, and the Lessee shall, upon written demand of the Lessor and at the Lessee's expense forthwith return all the Items of Equipment to the Lessor or in accordance with its order in the manner and condition required by, and otherwise in accordance with all the provisions of Section 14.6; or the Lessor with or without notice or judicial process may by its agents enter upon the premises of the Lessee where any of the Equipment may be located and take possession of and remove all or any of the Items and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever;

(c) sell any Item of Equipment at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (f) below if the Lessor elects to exercise its rights under said paragraph), in which event the Lessee's obligation to pay Basic Rent with respect to such Item hereunder due for any periods subsequent to the date of such sale shall terminate (except to the extent that Basic Rent is to be included in computations under paragraph (e) or (f) below if the Lessor elects to exercise its rights under either of said paragraphs);

(d) hold, keep idle or lease to others any Item of Equipment or any part thereof, as the Lessor in its sole discretion may determine, free and clear of any rights of the Lessee and without any duty to account to

the Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that the Lessee's obligation to pay Basic Rent with respect to such Item due for any periods subsequent to the date upon which the Lessee shall have been deprived of use of such Item pursuant to this Section 14 shall be reduced (but not below zero for any Basic Rent installment) by the net proceeds, if any, received by the Lessor from leasing such Item to any Person other than the Lessee;

(e) whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a), (b) or (d) above with respect to any Item of Equipment, the Lessor, by written notice to the Lessee specifying a payment date which shall be not earlier than ten (10) days after the date of such notice, may demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent for such Item of Equipment due after the payment date specified in such notice), any unpaid Rent for such Item of Equipment due for periods prior to the payment date specified in such notice plus whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice: (i) an amount equal to the difference between the present value of all future Basic Rent for such Item and the present value of the Fair Rental Value (determined as hereafter in this Section 14 provided without assuming such Item is in the condition and state of repair required by this Lease) of such Item or, if the Lessor has leased such Items to others pursuant to paragraph (d) above, for the period of such lease the rental payable thereunder, in each case for the remainder of the Basic Term or the Renewal Term, as the case may be, as of the payment date specified in such notice, such present values to be computed on the basis of a 7-1/2% per annum rate of discount from the respective dates upon which such Rent would be paid, or (ii) if the Lessor has not leased such Items to others pursuant to paragraph (d) above, an amount equal to the excess, if any, of the Stipulated Loss Value for such Item as of the Rent Payment Date next preceding the payment date specified in such notice or if such

payment date occurs on a Rent Payment Date, then computed as of such Rent Payment Date, over the Fair Market Value of such Item (determined as hereafter in this Section 14 provided without assuming such Item is in the condition and state of repair required by this Lease) as of the payment date specified in such notice; or (iii) an amount equal to the higher of Stipulated Loss Value for such Item computed as of the Rent Payment Date next preceding the payment date specified in such notice or if such payment date occurs on a Rent Payment Date, then computed as of such Rent Payment Date, or the Fair Market Value of such Item (assuming it is in the condition and state of repair required by this Lease) as of the payment date specified in such notice, and upon payment by the Lessee pursuant to this clause (iii) of such Stipulated Loss Value or Fair Market Value, as the case may be, and of all other amounts payable by the Lessee under this Lease and under the other Operative Agreements in respect of such Item, the Lessor shall transfer without recourse or warranty all right, title and interest of the Lessor in and to such Item to the Lessee or as it may direct, and the Lessor shall execute and deliver such documents evidencing such transfer as the Lessee shall reasonably request;

(f) if the Lessor shall have sold any Item of Equipment pursuant to paragraph (c) above, the Lessor, in lieu of exercising its rights under paragraph (e) above with respect to such Item may, if it shall so elect, demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent for such Item due on Rent Payment Dates subsequent to the Rent Payment Date next preceding such sale), any accrued and unpaid Rent for such Item due for periods up to and including the Rent Payment Date next preceding the date of such sale and if that date is a Rent Payment Date, the Rent due on that date (except for Basic Rent payable in advance on such Rent Payment Date), plus the amount, if any, by which the Stipulated Loss Value of such Item computed as of the Rent Payment Date next preceding the date of such sale or if such sale occurs on a Rent Payment Date, then computed as of such Rent Payment Date, exceeds the net proceeds of such sale, plus interest on such amounts

from the date of such sale to the date of payment at the Late Rate;

(g) whether or not the Lessor shall have exercised any of its rights under paragraph (a), (b) or (d) above, the Lessor may in lieu of exercising its rights under paragraph (e) above: (i) retain all Rent and additional sums theretofore paid by the Lessee or received by the Lessor in respect of such Item including any such Rent or additional sums then in possession which, had this Lease not been declared in default, would otherwise be payable to the Lessee hereunder, (ii) may recover from the Lessee all Rent and additional sums accrued and unpaid under any of the terms hereof as of the date of the declaration of default and (iii) may transfer title to such Item to the Lessee by quit-claim bill of sale and recover from the Lessee as liquidated damages for loss of a bargain, but not as a penalty (in lieu of the Basic Rent for such Item on Rent Payment Dates subsequent to the date of the declaration of default) an aggregate sum equal to the present value of (A) all Basic Rent for such Item which would otherwise have accrued hereunder from the date of the declaration of default to the end of the Basic Term or the Renewal Term, as the case may be, plus (B) the last Stipulated Loss Value payable during the term of this Lease, such present value to be computed on the basis of a 7-1/2% per annum rate of discount, from the respective dates upon which such Basic Rent would have been payable hereunder had this Lease not been terminated; and

(h) the Lessor may rescind or terminate this Lease or may exercise any other right or remedy that may be available to it under applicable law.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Default or Event of Default or the exercise of the Lessor's remedies with respect thereto, including without limitation the repayment in full of any costs and expenses necessary to be expended in repairing or modifying any Item in order to cause it to be in compliance

with all maintenance and regulatory standards imposed by this Lease.

For purposes of this Section 14.2, the Fair Rental Value and Fair Market Value for any Item of Equipment shall be determined on the basis of an appraisal of an independent appraiser chosen by the Lessor, based upon the criteria for establishing Fair Market Value and Fair Rental Value set forth in Section 18.1 (but including the value which may be obtained from a used equipment dealer), and the cost of any such appraisal shall be borne by the Lessee.

SECTION 14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset or counterclaim against the Rent payments due hereunder, and agrees to make the Rent payments regardless of any offset or counterclaim or claim which may be asserted by the Lessee or on its behalf in connection with the lease of the Equipment. To the extent permitted by applicable law, the Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require the Lessor to sell, lease or otherwise use the Equipment in mitigation of the Lessor's damages as set forth in Section 14.2 or that may otherwise limit or modify any of the Lessor's rights and remedies provided in this Section 14.

SECTION 14.4. No Waiver. No delay or omission to exercise any right, power or remedy accruing to Lessor upon any breach or default by Lessee under this Lease shall impair any such right, power or remedy of Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default hereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default.

SECTION 14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, promptly upon any

Responsible Officer becoming aware of any condition which constituted or constitutes a Default or Event of Default notice specifying such condition and the nature and status thereof.

SECTION 14.6. Lessee's Duty To Return. If the Lessor or any assignee of the Lessor shall terminate this Lease pursuant to this Section 14, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) forthwith deliver such Items to such point or points on the lines of the Lessee or any of its affiliates as the Lessor shall reasonably designate or, in the absence of such designation, as the Lessee may select;

(b) permit the Lessor to store such Items on the lines or premises of the Lessee without charge for insurance, rent or storage until such items have been sold, leased or otherwise disposed of by the Lessor, and during such period of storage the Lessee shall continue to maintain all insurance required by Section 11 hereof and maintain the Items of Equipment as provided hereby and thereafter deliver such Items as provided in clause (a).

SECTION 14.7. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

SECTION 14.8. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of Section 14.6, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority (which power is coupled with an interest), at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Items in

the name and on behalf of the Lessee from whosoever shall be at the time in possession of such Items.

SECTION 15. NET LEASE, ETC.

This Lease is a net lease and the Lessee's obligation to pay all Rent payable hereunder shall be absolute, unconditional and irrevocable and shall not be affected by any circumstance of any character including, without limitation, (i) any set-off, abatement, counterclaim, suspension, recoupment, reduction, rescission, defense or other right that Lessee may have against the Lessor, the Owner Participants, any vendor or manufacturer of any Item of Equipment, or any other Person for any reason whatsoever, (ii) any defect in or failure of title, merchantability, condition, design, compliance with specifications, operation or fitness for use of all or any part of any Item of Equipment, (iii) any damage to, or removal, abandonment, requisition, taking, condemnation, loss, theft or destruction of all or any part of any Item of Equipment or any interference, interruption, restriction, curtailment or cessation in the use or possession of any Item of Equipment by the Lessee or any other Person for any reason whatsoever or of whatever duration, (iv) any insolvency, bankruptcy, reorganization or similar proceeding by or against the Lessee, the Lessor, the Owner Participants or any other Person, (v) the invalidity, illegality or unenforceability of this Lease, any other Operative Agreement, or any other instrument referred to herein or therein or any other infirmity herein or therein or any lack of right, power or authority of the Lessee, the Lessor, the Owner Participants or any other Person to enter into this Lease or any other Operative Agreement or to perform the obligations hereunder or thereunder or consummate the transactions contemplated hereby or thereby or any doctrine of force majeure, impossibility, frustration or failure of consideration, (vi) the breach or failure of any warranty or representation made in this Lease or any other Operative Agreement by the Lessee, the Lessor, the Owner Participants or any other Person, or (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this

Lease with respect to any Item of Equipment, except in accordance with the express terms hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, the Lessee nonetheless agrees to the maximum extent permitted by law, to pay to the Lessor an amount equal to each installment of Interim Rent and Basic Rent and all Supplemental Rent due and owing, at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Each payment of Rent made by the Lessee hereunder shall be final and Lessee shall not seek or have any right to recover all or any part of such payment from the Lessor or any Person for any reason whatsoever.

SECTION 16. ASSIGNMENT.

SECTION 16.1. Assignment by Lessor. At any time and from time to time the Lessor may assign all or any part of its right, title and interest in the Equipment and this Lease as collateral and may grant security interests in the Equipment, this Lease and the Rent and Supplemental Rent payable hereunder, all without the consent of the Lessee. In the event of any such assignment, the Lessee will upon request execute and deliver an acknowledgment letter confirming that such lender has (and may exercise either in its own name or in the name of the Lessor) all of the rights, privileges and remedies in respect of the matters assigned, but none of the obligations, of the Lessor under the Lease; waiving for the benefit of such lender any defense, counterclaim, set-off, abatement, reduction or recoupment that the Lessee may have against the Lessor in respect of the matters assigned; and agreeing to make all payments of Rent and Supplemental Rent due under the applicable Lease Supplement to such lender or as it may direct. The Lessee also agrees to deliver opinions of counsel, insurance certificates and such other documents as the Lessor may reasonably request for the benefit of such lender in connection with such collateral assignment.

The Lessor also may transfer and sell all or part of its right, title and interest in the Equipment to any Person other than an Employee Benefit Plan subject to ERISA so long as the Lessor shall arrange for an assumption by

such transferee of all of the obligations of the Lessor hereunder, and this Lease and all Rent and all other sums due or to become due hereunder may be assigned by the Lessor to such transferee, without the consent of the Lessee, but the Lessee shall be under no obligation to any such transferee except upon written notice of such transfer or assignment and any such transferee shall confirm in writing to the Lessee that so long as no Default or Event of Default shall have occurred and be continuing hereunder, such transferee will not interfere with Lessee's right of quiet enjoyment to the Equipment hereunder.

Each Owner Participant may transfer and sell all or any part of its Beneficial Interest without the consent of the Lessee or the Lessor, provided that such transfer is in accordance with the terms of the Trust Agreement and Section 3.2(e) of the Agreement to Lease. No such transfer or sale shall affect the rights or obligations of the Lessee hereunder.

SECTION 16.2. Assignment by Lessee. Except in the case of any requisition for use by any governmental authority or any agency or instrumentality thereof referred to in Section 10.1, the Lessee will not, without the prior written consent of the Lessor, assign, sell, transfer or encumber any of its rights hereunder.

SECTION 17. USE AND POSSESSION.

SECTION 17.1. Lessee's Rights to the Equipment; Sublease. So long as no Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease. THE LESSEE SHALL NOT, WITHOUT THE PRIOR WRITTEN CONSENT OF THE LESSOR, WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD, ENTER INTO ANY SUBLEASE WITH RESPECT TO, PART WITH THE POSSESSION OR CONTROL OF, OR SUFFER OR ALLOW TO PASS OUT OF ITS POSSESSION OR CONTROL, ANY ITEM OF EQUIPMENT, except as provided in Section 17.2 or pursuant to a sublease (a "Permitted Sublease") to a domestic rail common carrier (a "Permitted Sublessee") which (a) shall be for a term not extending beyond the Lease Term hereof, (b) shall include maintenance provisions identical to Sections 6 and 7 hereof, and (c) shall expressly provide that the rights of any sublessee who receives possession by

reason of a Permitted Sublease shall be subject and subordinate to each and every term, condition and provision of this Lease, including, without limitation, the Lessor's right of repossession pursuant to Section 14 of this Lease and to terminate such sublease upon such repossession. No sublease, whether or not a Permitted Sublease, shall in any way discharge or diminish any of the Lessee's obligations hereunder, and the Lessee shall remain primarily liable hereunder for the performance of all the terms, conditions and provisions of this Lease to the same extent as if such sublease had not occurred. Promptly upon entering into any sublease with a term exceeding 90-days, including any Permitted Sublease, the Lessee shall assign such sublease to the Lessor as security for the Lessee's obligations hereunder and deliver to the Lessor a copy thereof.

SECTION 17.2. Use and Possession in Railroad Operations. So long as no Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it, or upon lines of railroad over which the Lessee has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through or pooling agreements, but only upon and subject to all the terms and conditions of this Lease. NOTWITHSTANDING THE FOREGOING, THE LESSEE SHALL AT NO TIME THROUGHOUT THE TERM OF THIS LEASE ASSIGN OR PERMIT THE ASSIGNMENT OF OR PERMIT ANY SUBLESSEE, WHETHER OR NOT A PERMITTED SUBLESSEE, TO ASSIGN OR PERMIT THE ASSIGNMENT OF, ANY ITEM OF EQUIPMENT FOR USE IN SERVICE (INCLUDING, WITHOUT LIMITATION, THE REGULAR OPERATION OR MAINTENANCE THEREOF) OUTSIDE THE CONTINENTAL UNITED STATES AND CANADA; PROVIDED THAT ITEMS OF EQUIPMENT REPRESENTING NOT MORE THAN 15% OF THE AGGREGATE APPRAISED VALUE OF ALL EQUIPMENT THEN SUBJECT TO THIS LEASE MAY BE LOCATED IN MEXICO. THE LESSEE CONTEMPLATES THAT THE ONLY USE OF ANY ITEM OF EQUIPMENT OUTSIDE THE UNITED STATES WILL BE USE IN CANADA OR MEXICO ON A TEMPORARY BASIS WHICH IS NOT EXPECTED TO EXCEED A TOTAL OF 90 DAYS IN ANY TAXABLE YEAR.

SECTION 18. OPTIONS TO RENEW AND PURCHASE.

SECTION 18.1. Determination of Fair Market Value and Fair Rental Value. The Lessor and the Lessee shall promptly, upon the Lessee's notice of the exercise of the options set forth in Section 18.3 or 18.4, as the case may be, consult for the purpose of determining Fair Market Value and Fair Rental Value and any values agreed upon in writing shall constitute such Fair Market Value and Fair Rental Value. If the Lessor and the Lessee fail to agree upon such values within thirty (30) days after the need to determine the same, then they shall be promptly determined by the Appraisal Procedure. Such Fair Market Value and Fair Rental Value shall be determined on the basis of the value which would be obtained in an arm's-length transaction between an informed and willing buyer-user or lessee (other than a used equipment dealer) and an informed and willing seller or lessor under no compulsion to sell, buy or lease. Any such determination shall be made (i) on the assumption that the Equipment is in the condition and state of repair required by this Lease, including the return conditions specified in Section 13, (ii) as respects Fair Rental Value, on the basis of a lease, having terms and conditions (other than the amount of Rent and without any purchase or renewal options) similar to the terms and conditions of this Lease (assuming a lease term equal to contemplated renewal term), (iii) giving effect to the removal of any parts which remain the property of the Lessee under the provisions of Section 7 hereof, and (iv) without regard to any rights of the Lessee (including purchase or renewal options) under this Lease. All costs and expenses of any Appraisal Procedure pursuant to this Section 18 shall be borne by the Lessee and the Lessor equally.

SECTION 18.2. Election To Retain or Return Equipment. Not less than 360 days nor more than 720 days prior to the end of the Basic Term, the Lessee will give the Lessor irrevocable notice its decision to return or retain all but not less than all of the Items of Equipment at the end of the Basic Term with respect thereto. If the Lessee elects to retain such Items of Equipment, the Lessee shall comply with Section 18.3 and/or 18.4 hereof, as it may elect in accordance with the provisions thereof including the notice requirements stated therein. If the Lessee shall fail to give such notice, this Lease shall continue at the same Rent

and the Basic Term shall be extended for 360 days after such notice is actually given.

SECTION 18.3. Option To Purchase. So long as no Event of Default has occurred and is continuing, the Lessee shall have the right upon 90 days' irrevocable prior notice to the Lessor, to purchase all, but not less than all, of the Items of Equipment then subject to this Lease (a) on the date of the expiration of the Basic Term specified in Section 3 with respect to the Items of Equipment, at a price equal to, at the option of the Lessee, either (i) the Fair Market Value thereof determined in accordance with this Section 18 as of such expiration date, or (ii) \$280,000 per Item of Equipment and (b) on the date of expiration of the Renewal Term, if any, the Fair Market Value thereof determined in accordance with this Section 18 as of such expiration date.

SECTION 18.4. Option To Renew. So long as no Event of Default shall have occurred and be continuing, the Lessee may, upon 90 days' irrevocable prior notice, renew this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for a renewal term of not less than one year nor more than five years, as the Lessee shall elect in such notice, and each quarterly installment of Basic Rent payable during such renewal term shall be in an amount for all such Items of Equipment equal to (i) 75% of Basic Rent if the renewal is for one year, (ii) 60% of Basic Rent if the renewal is for two years, (iii) 50% of Basic Rent if the renewal is for three years and (iv) the Fair Rental Value thereof if the renewal term is longer than three years. Such renewal term shall commence immediately upon the expiration of the Basic Term. The Stipulated Loss Value payable during the renewal term in respect of any Item of Equipment suffering an Event of Loss shall be equal to the Fair Market Value of such Item for such renewal term determined pursuant to Section 18.1 at the commencement of such renewal term.

SECTION 18.5. Delivery of Equipment. Unless the Lessee has elected to exercise its option to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 18, all such Items of Equipment shall be returned to the Lessor at the end of the Basic Term, or the Renewal Term, as the case may be, in accordance with Section 13 hereof.

**SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS
ADVANCED.**

Anything to the contrary herein contained notwithstanding, any nonpayment of Rent or other sums due hereunder shall result in the additional obligation on the part of the Lessee to pay an amount equal to interest at the Late Rate on such overdue amounts for the period of time during which they were overdue and not paid.

SECTION 20. MISCELLANEOUS.

SECTION 20.1. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (i) upon personal delivery thereof, including, without limitation, by overnight mail and courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by such a telecommunications device, upon transmission thereof, provided such transmission is promptly confirmed by any of the methods set forth in clauses (i) or (ii) above, in each case addressed to each party hereto at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by notice to the other parties hereto:

If to the Owner
Participants:

c/o American Finance Group
Exchange Place, 14th Floor
Boston, Massachusetts 02109
Attention: VP, Lease Financing
and Administration
Fax No: (617) 523-1410
Confirmation No: (617) 542-1200

If to the Lessor:

U.S. Trust Company of California,
N.A.
555 South Flower Street
Los Angeles, California 90071
Attention: Corporate Trust
Administration
Fax No.: (213) 489-3371
Confirmation No.: (213) 488-4000

with a copy to:

United States Trust Company of New
York
114 West 47th Street
New York, New York 10021
Attention: Louis P. Young
Corporate Trust and Agency
Division
Fax No.: (212) 852-1625
Confirmation No.: (212) 852-1000

All payments to be made to the
Lessor under the Operative
Agreements by wire transfer of
immediately available funds to:

United States Trust Company
of New York
ABA NO. 021-001-318

For credit to the account of
AFG - Southern Pacific
dated 3/1/93
Account No.

If to the Lessee:

Southern Pacific Transportation
Company
Southern Pacific Building, Room
666
One Market Plaza
San Francisco, California 94105
Attention: Vice President--Finance
Fax No.: (415) 541-2932
Confirmation No.: (415) 541-2589

with copy to Vice President
and General Counsel
Fax No.: (415) 495-5436
Confirmation No.: (415) 541-1781

SECTION 20.2. Right of Lessor To Perform. If the Lessee shall fail to make any payment required to be made by it hereunder or shall fail to perform or comply with any of its other covenants herein contained, the Lessor may, but shall not be obligated to, make such payment or perform or comply with such covenant. Any payment so made by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection with such payment or the performance or compliance with such covenant shall be payable by the Lessee to the Lessor upon demand as Supplemental Rent hereunder, with interest thereon at the Late Rate from such date of payment, to the extent permitted by applicable law. No such action shall be deemed a repossession of any of the Equipment, and no such advance, performance or other act shall be deemed to relieve the Lessee from any default hereunder.

SECTION 20.3. Amendments and Waivers. No term, covenant, agreement or condition of this Lease may be terminated, amended or compliance therewith waived (either generally or in a particular instance, retroactively or prospectively) except by an instrument or instruments in writing executed by each party hereto.

SECTION 20.4. Execution in Counterparts. This Lease may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Lease.

SECTION 20.5. Law Governing. THIS LEASE SHALL BE IN ALL RESPECTS GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE; PROVIDED, HOWEVER, THAT THE PARTIES SHALL BE ENTITLED TO ALL RIGHTS CONFERRED BY ANY APPLICABLE FEDERAL STATUTE, RULE OR REGULATION.

SECTION 20.6. Currency. All amounts and moneys referred to in this Lease shall be construed to mean money which at the time is lawful money of the United States of America.

SECTION 20.7. Headings and Table of Contents; Section References. The headings of the Sections of this Lease and the Table of Contents are inserted for purposes of convenience only and shall not affect any construction or interpretation of this Lease. All references herein to numbered sections, unless otherwise indicated, are to sections of this Lease.

SECTION 20.8. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

Section 20.9. True Lease. It is the intent of the parties to this Lease that it will be a true lease and not a "conditional sale" for all purposes and that the Lessor shall at all times be considered to be the owner of the Equipment which is the subject of this Lease for the purposes of all Federal, state, city and local income taxes or for franchise taxes measured by net income, and that this Lease conveys to the Lessee no right, title or interest in the Equipment except as lessee.

SECTION 20.10. Limitations of Liability. It is expressly agreed and understood that all representations, warranties and undertakings of the Lessor hereunder (except as expressly provided herein) shall be binding upon the Lessor only in its capacity as Owner Trustee under the Trust Agreement and in no case shall U.S. Trust Company of California, N.A., be personally liable for or on account of, any statements, representations, warranties, covenants or obligations stated to be those of the Lessor hereunder, except that the Lessor (or any successor Owner Trustee) shall be personally liable for its gross negligence or wilful misconduct and for its breach of its covenants, representations and warranties contained herein to the extent covenanted or made in its individual capacity.

SECTION 20.11. Successors and Assigns. This Lease shall be binding upon and shall inure to the benefit of, and be enforceable by, the parties hereto and their respective permitted successors and assigns.

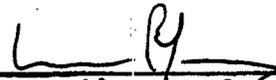
SECTION 20.12. Survival. All warranties, representations, indemnities and covenants made by either party hereto, herein or in any certificate or other instrument delivered by such party or on the behalf of any such party under this Lease, shall be considered to have been relied upon by the other party hereto and shall survive the consummation of the transactions contemplated hereby on each Closing Date regardless of any investigation made by either such party or on behalf of either such party.

SECTION 20.13. Incorporation by Reference. The payment obligations set forth in Section 2 of the Agreement to Lease are hereby incorporated by reference.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by


Its Authorized Signatory

Executed on April 6, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by

Adrian B. Bailey
Its Vice President-

~~Service~~ Service
Planning and Design
Executed on April 5, 1993
in Oak Park, Illinois.

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>UNITS</u>	<u>DESCRIPTION OF UNITS</u>	<u>SELLER</u>	<u>UNIT NUMBERS</u>	<u>EQUIPMENT COST PER ITEM</u>	<u>TOTAL EQUIPMENT COST</u>
2	Model SD-45-2 3600 Horsepower Six Motor Diesel Electric Locomotives	General Motors	SP 7400, 7486	\$400,000	\$800,000
26	Model SD-45-T2 3600 Horsepower Six Motor Diesel Electric Locomotives	General Motors	SP-9194, 9243 9245, 9254 9273, 9282 9294, 9300 9308, 9328 9330, 9333 9337, 9345 9347, 9359 9362, 9373 9375, 9385 9391, 9392 9395 9400-9402	\$400,000	\$ 10,400,000 \$ 11,200,000

RENTAL PAYMENTS

Basic Rent payable for each Item of Equipment, plus Interim Rent shall be equal to the Equipment Cost of such Item multiplied by the rent factor set forth below for each Rent Payment Date.

<u>On Rent Payment Date No.</u>	<u>(% of Equipment Cost) Amount</u>
1	5.4373%
2	5.4373%
3	5.4373%
4	5.4373%
5	5.4373%
6	5.4373%
7	5.4373%
8	5.4373%
9	5.4373%
10	5.4373%
11	5.4373%
12	5.4373%
13	5.4373%
14	5.4373%
15	5.4373%
16	5.4373%
17	5.4373%
18	5.4373%
19	5.4373%
20	5.4373%
21	5.4373%
22	5.4373%

STIPULATED LOSS VALUE
(Stated as a Percentage of Equipment Cost)

<u>ON RENT PAYMENT DATE NO</u>	<u>CASUALTY VALUE</u>
Prior to 1	112.00
1	109.98
2	107.89
3	105.73
4	103.51
5	101.21
6	98.84
7	96.40
8	93.88
9	91.29
10	88.61
11	85.85
12	83.01
13	80.07
14	77.05
15	73.94
16	70.73
17	67.43
18	64.03
19	60.53
20	56.92
21	53.21
22	50.00

LEASE SUPPLEMENT NO. _____

This LEASE SUPPLEMENT between U.S. TRUST COMPANY OF CALIFORNIA, N.A., not in its individual capacity but solely as Owner Trustee (the "Lessor") and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease dated as of March 31, 1993 (the "Lease"). The capitalized terms used herein have the meanings specified in the Lease unless elsewhere defined herein.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of evidencing the lease, delivery and acceptance of Items of Equipment under the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessor hereby leases to the Lessee and Lessee hereby leases from the Lessor the Items of Equipment described on Appendix I to this Lease Supplement ("Items of Equipment") on and subject to the terms and conditions set forth herein and in the Lease.

2. The Lessee represents to the Owner Trustee and each Owner Participant (a) that the Lessee has caused each such Item of Equipment to be inspected by its qualified inspector, (b) that each such Item of Equipment complies with all the specifications of the work orders relating to its rebuilding by General Motors Corporation (Electro-Motive Division) and complies with all the requirements of Section 6 of the Lease and (c) that each such Item of Equipment has been accepted for lease hereunder.

3. This Lease Supplement hereby incorporates by reference all the terms and conditions of the Lease.

4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by

Its Authorized Signatory

Executed on _____, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by

Its Vice President,
Service Planning and
Design

Executed on _____, 1993.

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>UNITS</u>	<u>DESCRIPTION OF UNITS</u>	<u>SELLER</u>	<u>UNIT NUMBERS</u>	<u>EQUIPMENT COST PER ITEM</u>	<u>TOTAL EQUIPMENT COST</u>
	Model SD-45-2 3600	General Motors		\$400,000	\$
	Horsepower Six Motor Diesel Electric Locomotives				
	Model SD-45-T2 3600	General Motors		\$400,000	\$
	Horsepower Six Motor Diesel Electric Locomotives				

SUMMARY OF LEASE TERMS

Lessee: SOUTHERN PACIFIC TRANSPORTATION COMPANY

Lessor: U.S. TRUST COMPANY OF CALIFORNIA, N.A.

Interim Term

Commencement Date: _____

Expiration Date: _____

Interim Rent quarterly: _____

Number of Payments: _____

Basic Term

Commencement Date: _____

Expiration Date: _____

Payment frequency: _____

Advance/arrears: _____

Basic Rent quarterly: _____

Number of Payments: _____

Total Equipment Cost: _____

Closing effective as of: _____

STIPULATED LOSS VALUE

(Stated as a Percentage of Equipment Cost)

<u>ON RENT PAYMENT DATE NO</u>	<u>STIPULATED LOSS VALUE</u>
Prior to 1	112.00
1	109.98
2	107.89
3	105.73
4	103.51
5	101.21
6	98.84
7	96.40
8	93.88
9	91.29
10	88.61
11	85.85
12	83.01
13	80.07
14	77.05
15	73.94
16	70.73
17	67.43
18	64.03
19	60.53
20	56.92
21	53.21
22	50.00

INSURANCE BROKER LETTER

FORM OF INSURANCE LETTER

[Date]

Southern Pacific Transportation
Company

Attn: Director of Risk Management

Re: Equipment Lease dated as of April 1, 1993
between Southern Pacific Transportation
Company (Lessee) and U.S. Trust Company
of California, N.A. (Owner Trustee)

As requested, this is an opinion letter concerning
coverages provided to Southern Pacific Transportation
Company.

The following coverages--all-risk property
insurance and public liability insurance--in my opinion
conform with the Insurance Section 10.1 of the above-
referenced Equipment Lease provided to our office by
Southern Pacific Transportation Company.

The insurance companies used are markets generally
used in our normal business transactions for Class I
railroads.

[LESSEE'S INSURANCE BROKER]

cc: U.S. Trust Company of California, N.A.,
as Owner Trustee

DEFINITIONS

GENERAL PROVISIONS

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require and such meanings shall be equally applicable to both the singular and the plural forms of the terms herein defined. In the case of any conflict between the provisions of this Appendix A and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended, supplemented and otherwise modified from time to time, and (ii) references to parties to agreements shall be deemed to include the permitted successors and assigns of such parties.

DEFINED TERMS

"Affiliate" of any Person shall mean any other Person which directly or indirectly controls, or is controlled by, or is under a common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

"Agreement to Lease" shall mean the Agreement to Lease dated as of March 31, 1993 among U.S. Trust Company of California, N.A., in its individual capacity and as Owner Trustee, the Owner Participants and the Lessee.

"Appraisal Procedure" shall mean the following procedure for determining the Fair Market Value or the Fair Rental Value, as the case may be, of any property. If either party to the Lease shall have given written notice to the other party requesting determination of such value by the

Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within fifteen (15) days after such notice is given, each party shall appoint a qualified independent appraiser within twenty (20) days after such notice is given. If one party appoints an appraiser pursuant to the preceding sentence, the appraisal shall be made by such appraiser if the other party fails to appoint a second appraiser within the applicable time limit. If both parties appoint appraisers, the two appraisers so appointed shall within thirty (30) days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within thirty (30) days after such notice is given, either party may apply to the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine one or more of the Fair Market Value or the Fair Rental Value of such property within twenty (20) days after its or their appointment. If the parties shall have appointed a single appraiser, its determination of values shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final.

"Bankruptcy Code" shall mean the Bankruptcy Code of 1978, as amended from time to time, 11 U.S.C. §101 et. seq.

"Basic Rent" shall mean, with respect to any Item of Equipment, all rent payable by the Lessee pursuant to Section 2.2 of the Lease for the Basic Term for such Item, and all rent payable pursuant to Section 18.4 of the Lease for any Renewal Term for such Item.

"Basic Term" shall have the meaning specified in Section 3 of the Lease.

"Basic Term Commencement Date" shall have the meaning specified in Section 3 of the Lease.

"Beneficial Interest" shall mean the interest of an Owner Participant under the Trust Agreement.

"Bill of Sale" shall mean the bill of sale, dated a Closing Date or the date that any Replacement Item is subjected to the Lease, covering any Items of Equipment delivered on such Closing Date or such Replacement Item, as the case may be.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in the States of California and New York.

"Closing Date" shall have the meanings specified in Section 1.2 of the Agreement to Lease.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Default" shall mean any event which would constitute an Event of Default under the Lease if any requirement in connection therewith for the giving of notice or the lapse of time, or both, had been satisfied.

"Equipment" shall mean collectively those items of railroad rolling stock described in the Lease and the Lease Supplements, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed in any item thereof which are the property of the Owner Trustee pursuant to the terms of a Bill of Sale or the Lease.

"Equipment Cost" shall mean, for each Item of Equipment, the cost to the Lessor as set forth in Schedule 1 to the Lease with respect to such Item.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law.

"Event of loss" shall have the meaning specified in Section 11.1 of the Lease.

"Event of Default" is defined in Section 14 of the Lease.

"Fair Market Value" shall mean with respect to the Equipment or any Item thereof, the fair market sales value of the Equipment or such Item, determined in accordance with Section 18.1 of the Lease.

"Fair Rental Value" shall mean with respect to the Equipment or any Item thereof, the fair market rental value of the Equipment or such Item, determined in accordance with Section 18.1 of the Lease.

"Indemnified Party" shall mean each Owner Participant, the Owner Trustee (both in its individual capacity and as Lessor or Owner Trustee) and each of their respective directors, officers, partners, employees, Affiliates, successors and permitted assigns, agents and servants and the Trust Estate.

"Interchange Rules" shall have the meaning specified in Section 6 of the Lease.

"Item of Equipment" or "Item" shall mean each item of the Equipment.

"Interim Rent" shall mean the rent payable by the Lessee to the Lessor pursuant to Section 2.1 of the Lease.

"Interim Term" shall have the meaning specified in Section 3 of the Lease.

"Late Rate" shall mean the lesser of 9% and the maximum interest rate from time to time permitted by law.

"Lease" shall mean the Equipment Lease dated as of March 31, 1993, between the Owner Trustee as Lessor and the Lessee as amended, supplemented or otherwise modified from time to time. The term "Lease" shall include each Lease Supplement and amendment entered into pursuant to the terms of the Lease.

"Lease Supplement" shall mean a Lease Supplement, dated a Closing Date or the date that any Replacement Item is subjected to the Lease, substantially in the form of Exhibit A to the Lease, between the Lessor and the Lessee, in respect of an Item of Equipment delivered on such Closing Date or such Replacement Item, as the case may be.

"Lease Term" shall mean, with respect to any Item of Equipment, the Interim Term, the Basic Term applicable to such Item and any Renewal Term applicable to such Item then in effect.

"Lessee" shall mean Southern Pacific Transportation Company, a Delaware corporation, and any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets thereof in compliance with Section 6 of the Lease.

"Lessor" shall have the meaning specified in the recitals to the Lease.

"Lessor's Liens" means any Lien affecting, on or in respect of the Equipment, the Lease or the Trust Estate arising as a result of (i) claims against Lessor (in its individual capacity or as Owner Trustee) or an Owner Participant, not related to the transactions contemplated by the Operative Agreements, or (ii) acts or omissions of the Lessor (in its individual capacity or as Owner Trustee) or an Owner Participant not related to the transactions contemplated by the Operative Agreements or in breach of any covenant or agreement of such Person set forth in any of the Operative Agreements, or (iii) taxes imposed against the Lessor (in its individual capacity or as Owner Trustee) or an Owner Participant or the Trust Estate which are not indemnified against by the Lessee pursuant to the Agreement to Lease or under the Tax Indemnity Agreement.

"Lien" shall mean any mortgage, pledge, security interest, lien, encumbrance, lease, disposition of title or other charge of any kind on property.

"Net Economic Return" shall mean after-tax economic yields, aggregate net after-tax cash flows and return on investment.

"Officer's Certificate" shall mean a certificate signed (i) in the case of a corporation by the President, any Vice President, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary or the Controller of such corporation, (ii) in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and (iii) in the case of a commercial bank

or trust company, the Chairman or Vice Chairman of the Executive Committee or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, or any other officer or assistant officer customarily performing the functions similar to those performed by the persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"Operative Agreements" shall mean the Agreement to Lease, the Trust Agreement, the Lease, each Lease Supplement and the Tax Indemnity Agreement.

"Owner Participants" shall mean American Finance Group, a Massachusetts general partnership, AFG Investment Trust C, a Delaware business trust, and their successors and assigns.

"Owner Trustee" shall mean U.S. Trust Company of California, N.A., a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement and its successors thereunder.

"Permitted Liens" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Owner Trustee under the Lease and the Lease Supplements; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested in good faith by appropriate legal proceedings in any reasonable manner which does not adversely affect the property rights or interests of the Owner Trustee; and (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are not due and payable or the amount or validity of which is being contested in good faith by appropriate legal proceedings in any reasonable manner which does not adversely affect the property rights or interests of the Owner Trustee in the Equipment or under any Operative Agreement.

"Permitted Sublease" and "Permitted Sublessee" shall have the meanings specified in Section 17.1 of the Lease.

"Person" shall mean an individual, partnership, corporation, trust, association or unincorporated organization, and a government or agency or political subdivision thereof.

"Renewal Term" shall mean any term in respect of which the Lessee shall have exercised its option to renew the Lease with respect to any Item of Equipment pursuant to Section 18 thereof.

"Rent" shall mean all Interim Rent, Basic Rent and Supplemental Rent.

"Rent Payment Dates" shall mean, for the Basic Term, the dates provided for payment of Basic Rent in the applicable Lease Supplement to the Lease and for any Renewal Term, each such quarterly dates throughout, and including the final day of, such Renewal Term.

"Replacement Item" shall mean a locomotive which shall have been leased under the Lease pursuant to Section 11.2 of the Lease.

"Responsible Officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of any party contained in any Operative Agreement, the President, or any Vice President, Treasurer, Assistant Treasurer, Controller or other officer, who in the normal performance of his operational responsibility would have knowledge of such matters and the requirements with respect thereto.

"Seller" shall mean General Motors Corporation (Electro-Motive Division).

"Stipulated Loss Value" for any Item of Equipment as of any date of determination shall mean the amount determined by multiplying the Equipment Cost for such Item by the percentage set forth in Schedule 3 to the Lease opposite the Rent Payment Date on which such Stipulated Loss Value is being determined; provided that during any Renewal Term, "Stipulated Loss Value" shall be determined as provided in Section 18.4 of the Lease.

"Subsidiary" of any Person shall mean any corporation, association, or other business entity of which more than 50%

(by number of votes) of the voting stock at the time outstanding shall at the time be owned, directly or indirectly, by such Person or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by such Person and any one or more such Subsidiaries.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Basic Rent) which the Lessee is obligated to pay under the Operative Agreements to or on behalf of any of the other parties thereto, including, but not limited to Stipulated Loss Value payments.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement dated as of March 31, 1993 between the Lessee and the Owner Participants.

"Total Equipment Cost" shall mean the sum of the Equipment Cost for each Item of Equipment.

"Trust Agreement" shall mean the Trust Agreement dated as of March 31, 1993, between the Owner Participants and U.S. Trust Company of California, N.A., as amended, supplemented or otherwise modified from time to time.

"Trust Estate" shall have the meaning set forth in Section 2.02 of the Trust Agreement.

LEASE SUPPLEMENT NO. A-1

This LEASE SUPPLEMENT between U.S. TRUST COMPANY OF CALIFORNIA, N.A., not in its individual capacity but solely as Owner Trustee (the "Lessor") and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease dated as of March 31, 1993 (the "Lease"). The capitalized terms used herein have the meanings specified in the Lease unless elsewhere defined herein.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of evidencing the lease, delivery and acceptance of Items of Equipment under the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessor hereby leases to the Lessee and Lessee hereby leases from the Lessor the Items of Equipment described on Appendix I to this Lease Supplement ("Items of Equipment") on and subject to the terms and conditions set forth herein and in the Lease.

2. The Lessee represents to the Owner Trustee and each Owner Participant (a) that the Lessee has caused each such Item of Equipment to be inspected by its qualified inspector, (b) that each such Item of Equipment complies with all the specifications of the work orders relating to its rebuilding by General Motors Corporation (Electro-Motive Division) and complies with all the requirements of Section 6 of the Lease and (c) that each such Item of Equipment has been accepted for lease hereunder.

3. This Lease Supplement hereby incorporates by reference all the terms and conditions of the Lease.

4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement:

by


Its Authorized Signatory

Executed on 4/6, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by

Its Vice President
Transportation-Quality

Executed on , 1993.



4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by

Its Authorized Signatory

Executed on _____, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by *Adrian B. Bailey*
Its Vice President,
Service Planning and
Design

Executed on April 5, 1993
in Oak Park, Illinois.

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>UNITS</u>	<u>DESCRIPTION OF UNITS</u>	<u>SELLER</u>	<u>UNIT NUMBERS</u>	<u>EQUIPMENT COST PER ITEM</u>	<u>TOTAL EQUIPMENT COST</u>
1	Model SD-45-2 3600 Horsepower Six Motor Diesel Electric Locomotives	General Motors	7400	\$400,000	\$ 400,000
6	Model SD-45-T2 3600 Horsepower six Motor Diesel Electric Locomotives	General Motors	9194 9245 9254 9273 9294 9300	\$400,000	\$2,400,000 \$2,800,000

SUMMARY OF LEASE TERMS

Lessee: SOUTHERN PACIFIC TRANSPORTATION COMPANY

Lessor: U.S. TRUST COMPANY OF CALIFORNIA, N.A.

Interim Term

Commencement Date: March 31, 1993

Expiration Date: September 30, 1998

Interim Rent quarterly: \$152,244.40

Number of Payments: 2

Payment Dates: June 30 and September 30

Basic Term

Commencement Date: October 1, 1993

Expiration Date: September 30, 1998

Payment frequency: Quarterly

Advance/arrears: Arrears

Basic Rent quarterly: \$152,244.40

Basic Rent (%): 5.4373%

Number of Payments: 20

Total Equipment Cost: \$2,800,000.00

Closing effective as of: March 31, 1993

APPENDIX III
(to Lease Supplement No. A-1)

STIPULATED LOSS VALUE

(Stated as a Percentage of Equipment Cost)

<u>ON RENT PAYMENT DATE NO</u>	<u>STIPULATED LOSS VALUE</u>
Prior to 1	112.00
1	109.98
2	107.89
3	105.73
4	103.51
5	101.21
6	98.84
7	96.40
8	93.88
9	91.29
10	88.61
11	85.85
12	83.01
13	80.07
14	77.05
15	73.94
16	70.73
17	67.43
18	64.03
19	60.53
20	56.92
21	53.21
22	50.00

INSURANCE BROKER LETTER

Marsh & McLennan, Incorporated
Three Embarcadero Center
Post Office Box 193880
San Francisco, CA 94119-3880
Telephone 415 393 5000
Telefax 415 393 5409

MARSH &
MCLENNAN

April 7, 1993

Southern Pacific Transportation Company
One Market Plaza, Room 200
San Francisco, California 94105

Attn: Dale Wydman
Director of Risk Management

Re: **EQUIPMENT LEASE DATED AS OF MARCH 31, 1993
BETWEEN SOUTHERN PACIFIC TRANSPORTATION COMPANY (LESSEE)
AND U.S. TRUST COMPANY OF CALIFORNIA, N.A. (OWNER TRUSTEE)**

Dear Dale:

As requested, this is an opinion letter concerning coverages provided to Southern Pacific Transportation Company.

The following coverages--all risk property insurance and public liability insurance--in my opinion conform with the Insurance Section 10(b) of the above referenced Equipment Lease provided to our office by Southern Pacific Transportation Company.

The insurance companies used are markets generally used in our normal business transactions for Class I railroads.

Sincerely,

Arthur A. Goepp III
Senior Vice President

LEASE SUPPLEMENT NO. A-2

This LEASE SUPPLEMENT between U.S. TRUST COMPANY OF CALIFORNIA, N.A., not in its individual capacity but solely as Owner Trustee (the "Lessor") and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease dated as of March 31, 1993 (the "Lease"). The capitalized terms used herein have the meanings specified in the Lease unless elsewhere defined herein.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of evidencing the lease, delivery and acceptance of Items of Equipment under the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessor hereby leases to the Lessee and Lessee hereby leases from the Lessor the Items of Equipment described on Appendix I to this Lease Supplement ("Items of Equipment") on and subject to the terms and conditions set forth herein and in the Lease.

2. The Lessee represents to the Owner Trustee and each Owner Participant (a) that the Lessee has caused each such Item of Equipment to be inspected by its qualified inspector, (b) that each such Item of Equipment complies with all the specifications of the work orders relating to its rebuilding by General Motors Corporation (Electro-Motive Division) and complies with all the requirements of Section 6 of the Lease and (c) that each such Item of Equipment has been accepted for lease hereunder.

3. This Lease Supplement hereby incorporates by reference all the terms and conditions of the Lease.

4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement.

by


Its Authorized Signatory

Executed on 4/6, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by


Its Vice President
Transportation-Quality

Executed on , 1993.



DESCRIPTION OF ITEMS OF EQUIPMENT

<u>UNITS</u>	<u>DESCRIPTION OF UNITS</u>	<u>SELLER</u>	<u>UNIT NUMBERS</u>	<u>EQUIPMENT COST PER ITEM</u>	<u>TOTAL EQUIPMENT COST</u>
5	Model SD-45-T2 3600 Horsepower Six Motor Diesel Electric Locomotives	General Motors	9308 9328 9337 9345 9347	\$400,000	\$2,000,000 \$2,000,000

SUMMARY OF LEASE TERMS

Lessee: SOUTHERN PACIFIC TRANSPORTATION COMPANY

Lessor: U.S. TRUST COMPANY OF CALIFORNIA, N.A.

Interim Term

Commencement Date: March 31, 1993

Expiration Date: September 30, 1998

Interim Rent quarterly: \$108,746.00

Number of Payments: 2

Payment Dates: June 30 and September 30

Basic Term

Commencement Date: October 1, 1993

Expiration Date: September 30, 1998

Payment frequency: Quarterly

Advance/arrears: Arrears

Basic Rent quarterly: \$108,746.00

Basic Rent (%): 5.4373%

Number of Payments: 20

Total Equipment Cost: \$2,000,000.00

Closing effective as of: March 31, 1993

APPENDIX III
(to Lease Supplement No. A-2)

STIPULATED LOSS VALUE

(Stated as a Percentage of Equipment Cost)

<u>ON RENT PAYMENT DATE NO</u>	<u>STIPULATED LOSS VALUE</u>
Prior to 1	112.00
1	109.98
2	107.89
3	105.73
4	103.51
5	101.21
6	98.84
7	96.40
8	93.88
9	91.29
10	88.61
11	85.85
12	83.01
13	80.07
14	77.05
15	73.94
16	70.73
17	67.43
18	64.03
19	60.53
20	56.92
21	53.21
22	50.00

INSURANCE BROKER LETTER

Marsh & McLennan, Incorporated
Three Embarcadero Center
Post Office Box 193880
San Francisco, CA 94119-3880
Telephone 415 393 5000
Telefax 415 393 5409

MARSH &
MCLENNAN

April 7, 1993

Southern Pacific Transportation Company
One Market Plaza, Room 200
San Francisco, California 94105

Attn: Dale Wydman
Director of Risk Management

Re: **EQUIPMENT LEASE DATED AS OF MARCH 31, 1993
BETWEEN SOUTHERN PACIFIC TRANSPORTATION COMPANY (LESSEE)
AND U.S. TRUST COMPANY OF CALIFORNIA, N.A. (OWNER TRUSTEE)**

Dear Dale:

As requested, this is an opinion letter concerning coverages provided to Southern Pacific Transportation Company.

The following coverages--all risk property insurance and public liability insurance--in my opinion conform with the Insurance Section 10(b) of the above referenced Equipment Lease provided to our office by Southern Pacific Transportation Company.

The insurance companies used are markets generally used in our normal business transactions for Class I railroads.

Sincerely,

Arthur A. Goepf III /
Senior Vice President

LEASE SUPPLEMENT NO. A-3

This LEASE SUPPLEMENT between U.S. TRUST COMPANY OF CALIFORNIA, N.A., not in its individual capacity but solely as Owner Trustee (the "Lessor") and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease dated as of March 31, 1993 (the "Lease"). The capitalized terms used herein have the meanings specified in the Lease unless elsewhere defined herein.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of evidencing the lease, delivery and acceptance of Items of Equipment under the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessor hereby leases to the Lessee and Lessee hereby leases from the Lessor the Items of Equipment described on Appendix I to this Lease Supplement ("Items of Equipment") on and subject to the terms and conditions set forth herein and in the Lease.

2. The Lessee represents to the Owner Trustee and each Owner Participant (a) that the Lessee has caused each such Item of Equipment to be inspected by its qualified inspector, (b) that each such Item of Equipment complies with all the specifications of the work orders relating to its rebuilding by General Motors Corporation (Electro-Motive Division) and complies with all the requirements of Section 6 of the Lease and (c) that each such Item of Equipment has been accepted for lease hereunder.

3. This Lease Supplement hereby incorporates by reference all the terms and conditions of the Lease.

4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by


Its Authorized Signatory

Executed on 4/6, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by

Its Vice President
Transportation-Quality

Executed on , 1993.

L442

4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by

Its Authorized Signatory

Executed on , 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by

Adrienne B. Bailey
Its Vice President,
Service Planning and
Design

Executed on April 5 , 1993
in Oak Park, Illinois.

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>UNITS</u>	<u>DESCRIPTION OF UNITS</u>	<u>SELLER</u>	<u>UNIT NUMBERS</u>	<u>EQUIPMENT COST PER ITEM</u>	<u>TOTAL EQUIPMENT COST</u>
4	Model SD-45-T2 3600 Horsepower Six Motor Diesel Electric Locomotives	General Motors	9359 9362 9373 9385	\$400,000	\$1,600,000 \$1,600,000

SUMMARY OF LEASE TERMS

Lessee: SOUTHERN PACIFIC TRANSPORTATION COMPANY

Lessor: U.S. TRUST COMPANY OF CALIFORNIA, N.A.

Interim Term

Commencement Date: March 31, 1993

Expiration Date: September 30, 1998

Interim Rent quarterly: \$86,996.80

Number of Payments: 2

Payment Dates: June 30 and September 30

Basic Term

Commencement Date: October 1, 1993

Expiration Date: September 30, 1993

Payment frequency: Quarterly

Advance/arrears: Arrears

Basic Rent quarterly: \$86,996.80

Basic Rent (%): 5.4373%

Number of Payments: 20

Total Equipment Cost: \$1,600,000.00

Closing effective as of: March 31, 1993

STIPULATED LOSS VALUE

(Stated as a Percentage of Equipment Cost)

<u>ON RENT PAYMENT DATE NO</u>	<u>STIPULATED LOSS VALUE</u>
Prior to 1	112.00
1	109.98
2	107.89
3	105.73
4	103.51
5	101.21
6	98.84
7	96.40
8	93.88
9	91.29
10	88.61
11	85.85
12	83.01
13	80.07
14	77.05
15	73.94
16	70.73
17	67.43
18	64.03
19	60.53
20	56.92
21	53.21
22	50.00

INSURANCE BROKER LETTER

Marsh & McLennan, Incorporated
Three Embarcadero Center
Post Office Box 193880
San Francisco, CA 94119-3880
Telephone 415 393 5000
Telefax 415 393 5409

MARSH &
MCLENNAN

April 7, 1993

Southern Pacific Transportation Company
One Market Plaza, Room 200
San Francisco, California 94105

Attn: Dale Wydman
Director of Risk Management

Re: **EQUIPMENT LEASE DATED AS OF MARCH 31, 1993
BETWEEN SOUTHERN PACIFIC TRANSPORTATION COMPANY (LESSEE)
AND U.S. TRUST COMPANY OF CALIFORNIA, N.A. (OWNER TRUSTEE)**

Dear Dale:

As requested, this is an opinion letter concerning coverages provided to Southern Pacific Transportation Company.

The following coverages--all risk property insurance and public liability insurance--in my opinion conform with the Insurance Section 10(b) of the above referenced Equipment Lease provided to our office by Southern Pacific Transportation Company.

The insurance companies used are markets generally used in our normal business transactions for Class I railroads.

Sincerely,

Arthur A. Goepp III
Senior Vice President

LEASE SUPPLEMENT NO. A-4

This LEASE SUPPLEMENT between U.S. TRUST COMPANY OF CALIFORNIA, N.A., not in its individual capacity but solely as Owner Trustee (the "Lessor") and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease dated as of March 31, 1993 (the "Lease"). The capitalized terms used herein have the meanings specified in the Lease unless elsewhere defined herein.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of evidencing the lease, delivery and acceptance of Items of Equipment under the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessor hereby leases to the Lessee and Lessee hereby leases from the Lessor the Items of Equipment described on Appendix I to this Lease Supplement ("Items of Equipment") on and subject to the terms and conditions set forth herein and in the Lease.

2. The Lessee represents to the Owner Trustee and each Owner Participant (a) that the Lessee has caused each such Item of Equipment to be inspected by its qualified inspector, (b) that each such Item of Equipment complies with all the specifications of the work orders relating to its rebuilding by General Motors Corporation (Electro-Motive Division) and complies with all the requirements of Section 6 of the Lease and (c) that each such Item of Equipment has been accepted for lease hereunder.

3. This Lease Supplement hereby incorporates by reference all the terms and conditions of the Lease.

4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

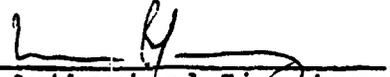
5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by


Its Authorized Signatory

Executed on 4/6, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by


Its Vice President
Transportation-Quality

Executed on _____, 1993.

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4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by

Its Authorized Signatory

Executed on _____, 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by

Adrian B. Bailey
Its Vice President,
Service Planning and
Design

Executed on April 5, 1993
in Oak Park, Illinois.

APPENDIX I
 (to Lease Supplement NO. A-4)

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>UNITS</u>	<u>DESCRIPTION OF UNITS</u>	<u>SELLER</u>	<u>UNIT NUMBERS</u>	<u>EQUIPMENT COST PER ITEM</u>	<u>TOTAL EQUIPMENT COST</u>
4	Model SD-45-T2 3600 Horsepower Six Motor Diesel Electric Locomotives	General Motors	9392 9395 9400 9401	\$400,000	\$1,600,000 \$1,600,000

SUMMARY OF LEASE TERMS

Lessee: SOUTHERN PACIFIC TRANSPORTATION COMPANY

Lessor: U.S. TRUST COMPANY OF CALIFORNIA, N.A.

Interim Term

Commencement Date: March 31, 1993
Expiration Date: September 30, 1998
Interim Rent quarterly: \$86,996.80
Number of Payments: 2
Payment Dates: June 30 and September 30

Basic Term

Commencement Date: October 1, 1993
Expiration Date: September 30, 1993
Payment frequency: Quarterly
Advance/arrears: Arrears
Basic Rent quarterly: \$86,996.80
Basic Rent (%): 5.4373%
Number of Payments: 20
Total Equipment Cost: \$1,600,000.00
Closing effective as of: March 31, 1993

STIPULATED LOSS VALUE

(Stated as a Percentage of Equipment Cost)

<u>ON RENT PAYMENT DATE NO</u>	<u>STIPULATED LOSS VALUE</u>
Prior to 1	112.00
1	109.98
2	107.89
3	105.73
4	103.51
5	101.21
6	98.84
7	96.40
8	93.88
9	91.29
10	88.61
11	85.85
12	83.01
13	80.07
14	77.05
15	73.94
16	70.73
17	67.43
18	64.03
19	60.53
20	56.92
21	53.21
22	50.00

INSURANCE BROKER LETTER

Marsh & McLennan, Incorporated
Three Embarcadero Center
Post Office Box 193880
San Francisco, CA 94119-3880
Telephone 415 393 5000
Telefax 415 393 5409

MARSH &
MCLENNAN

April 7, 1993

Southern Pacific Transportation Company
One Market Plaza, Room 200
San Francisco, California 94105

Attn: Dale Wydman
Director of Risk Management

Re: **EQUIPMENT LEASE DATED AS OF MARCH 31, 1993
BETWEEN SOUTHERN PACIFIC TRANSPORTATION COMPANY (LESSEE)
AND U.S. TRUST COMPANY OF CALIFORNIA, N.A. (OWNER TRUSTEE)**

Dear Dale:

As requested, this is an opinion letter concerning coverages provided to Southern Pacific Transportation Company.

The following coverages--all risk property insurance and public liability insurance--in my opinion conform with the Insurance Section 10(b) of the above referenced Equipment Lease provided to our office by Southern Pacific Transportation Company.

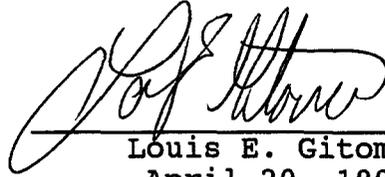
The insurance companies used are markets generally used in our normal business transactions for Class I railroads.

Sincerely,

Arthur A. Goepf III /
Senior Vice President

CERTIFICATION

I, LOUIS E. GITOMER, have compared this copy to the original Equipment Lease, dated as of March 31, 1993, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.



Louis E. Gitomer
April 20, 1993